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SUBJECT: DEMARCHE REQUEST: ANNOUNCEMENT OF NEW INSURANCE  
PRODUCTS BY JAPANESE POSTAL INSURANCE COMPANY

11. (U) BACKGROUND AND ACTION REQUEST: According to recent press reporting in Japan, Japan Post Insurance Co. Ltd. (Kampo Life) has announced that it intends to develop and market a new cancer insurance product with assistance from Nippon Life Insurance Company. Embassy Tokyo is requested to visit relevant Government of Japan offices and deliver a formal demarche at the appropriate level emphasizing the following objectives:

-- Stress the long-standing view of the U.S. Government that equivalent conditions of competition, or a level playing field, must be established before the introduction of new or altered insurance products by Kampo Life. The establishment of equivalent conditions of competition through the postal reform process is vital to the overall health and vitality of Japan's insurance market, including the provision of wide-ranging choices for consumers of that market. In addition, the long-term viability of Japan's insurance market will require that Kampo Life develop adequate risk management capabilities before engaging in new risks, a requirement particularly crucial due to Kampo Life's comparatively large size and inordinate impact on market conditions.

-- Express concern that certain aspects of the postal reform process indicate that a level playing field has not yet been established between Kampo Life and private companies. For example, subsequent to a recent Financial Services Agency (FSA) review, the FSA requested that Kampo Life take unspecified actions. (NOTE: Due to confidentiality requirements, the FSA will not elaborate on the actions it requested of Kampo Life.) Press reporting suggests that Kampo Life is operating under the assumption that its new cancer insurance product will be approved, which raises concerns that the government agencies involved in the new product approval process may face undue pressure to approve the product. Additionally, the Postal Services Privatization Commission has not completed its three-year review process on the postal reforms.

-- Remind the Government of Japan that Article Two of the Privatization Law, which governs the privatization process of Japan Post, states that measures will be taken to ensure equivalent conditions of competition with companies competing against the newly privatized postal entities. The Government of Japan, through the U.S.-Japan Regulatory Reform and Competition Policy Initiative, has "acknowledg(ed) that equivalent conditions of competition should always be ensured in expanding the business scope of postal financial institutions."

-- Request that Embassy Tokyo be notified of any new developments and urge continued transparency in the postal reform process, especially as it relates to decisions by relevant GOJ officials to permit the introduction of new or altered insurance products.

12. (U) Please report the results of this demarche via front channel cable, slugged for USTR: Eric Holloway, by January

23, 2009.  
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